

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

SUPPLEMENTAL ORDER REGARDING

ELECTIONS, UNIT: VC-3221

(herein "Subject Drilling Unit")

DOCKET NO. VGOB-94/11/15-0484

REPORT OF BOARD

FINDINGS AND ORDER

1. This Supplemental Order is entered by the Board sua sponte in the form authorized by the Board at its hearing held at 9:00 a.m. on October 20, 1992, Board of Supervisors Room, Courthouse, Grundy, Virginia, and pursuant to authority granted to the Board's Chairman at the hearing of the Virginia Gas and Oil Board on June 16, 1992 at 9:00 a.m. at the Rhododendron Restaurant at the Breaks Interstate Park, Breaks, Virginia; and this Supplemental Order is being recorded for the purpose of (1) complying with the requirements of § 7.c of the Virginia Gas and Oil Board Regulations, VR 480-05-22.2 by supplementing the Order previously issued by the Board for the subject Docket on January 9, 1995 and recorded at Deed Book 794, Page 262 in the Office of the Clerk of the Circuit Court, Wise County, Virginia on January 17, 1995, (herein "Board Order") to complete the record regarding elections. The Board Order pooled all interests in Subject Drilling Unit including those of the Respondents more particularly set forth and identified by the Designated Operator in the affidavits attached hereto and made a part hereof. The Board finds it has jurisdiction over the subject matter pursuant to the provisions of the Virginia Gas and Oil Act, § 45.1-361.1 et seq., Virginia Code, 1950 as amended.

2. Findings: The Board finds that:

(a) The Board Order directed Equitable Resources Exploration (herein the "Designated Operator"), to mail copies of the Board Order to all Respondents whose interests, if any, were pooled by said Board Order;

(b) The Designated Operator filed its affidavit of mailing dated January 26, 1995 disclosing that it had mailed a true and correct copy of the Board's Order to all Respondents whose interests, if any, were pooled by said Board Order;

(c) The Board Order required each Respondent whose interests, if any, were pooled by the terms of said Board Order to make his or her election within thirty (30) days after the date of mailing or recording, as applicable, of said Order; the Designated Operator has filed its affidavit dated March 2, 1995 in accordance with 7.c of the Virginia Gas and Oil Board Regulations and VR 480-05-22.2 (herein "Affidavit of Election"), wherein it has, for each Respondent whose interests, if any, were pooled by said Board Order, stated: (i) whether each Respondent has made or failed to make a timely election; (ii) the nature of the election made, if any; (iii) whether, by reason of a failure to elect or to timely elect one or more

Respondents are deemed, under the terms of the Board's Order, to have leased all their rights, title, interests, estates and claims in Subject Drilling Unit to the Designated Operator;

(d) The Board Order further required the Designated Operator, after expiration of the election period, to file with the Board a statement of the interests subject to escrow under the terms and provisions of the Board Order, in light of the elections made or deemed to have been made (herein "Statement of Interests"); that the Designated Operator furnished said Statement of Interests as part of its Affidavit of Election. A copy of which is attached hereto as Exhibit B.

(e) Current Board standards requiring the escrow of funds and the Board's agreement with its Escrow Agent, Tazewell National Bank, P. O. Box 909, Tazewell, Virginia 24651, or any successor named by the Board, require the entry of a Supplemental Order establishing of record the elections made or deemed to have been made and specifying the sums or percentage thereof subject to escrow.

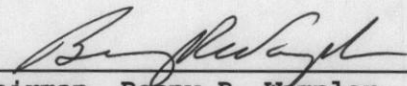
3. Order: By this Order, the Board orders the Designated Operator to tender, consistent with and in accordance with the findings set forth at paragraph 2. above and the annexed Affidavits, any funds subject to escrow and instructs the Escrow Agent, Tazewell National Bank, P. O. Box 909, Tazewell, Virginia 24651, or any successor named by the Board to establish interest-bearing escrow account(s), IRS Tax Identification Number 54-1629506, in accordance with the information set forth in said Affidavits to receive such funds and account to the Board therefore.

4. Mailing of Order and Filing of Affidavit: The Designated Operator under the captioned order or its Attorney shall file an affidavit with the Secretary of the Board within ten (10) days after the date of receipt of this Order stating that a true and correct copy of this Order was mailed within seven (7) days from the date of receipt of this Order to each person whose interest or claim is subject to escrow and whose address is known.

5. Conclusion: Therefore, the findings and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.

6. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 24th day of March 199~~4~~⁵, by a majority of the Virginia Gas and Oil Board.


Chairman, Benny R. Wampler

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 24th day of March, 1994⁵, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Susan G. Garrett
Susan G. Garrett
Notary Public

My commission expires 7/31/98

DONE AND PERFORMED this 24th day of March, 1994⁵ by Order of this Board.

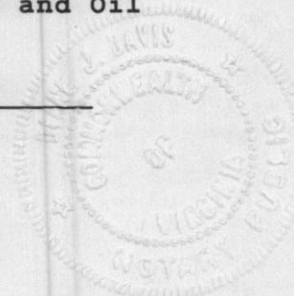
Byron Thomas Fulmer
Byron Thomas Fulmer
Principal Executive to the Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA
COUNTY OF WASHINGTON

Acknowledged on this 24th day of March, 1994⁵, personally before me a notary public in and for the Commonwealth of Virginia, appeared Byron Thomas Fulmer, being duly sworn did depose and say that he is Principal Executive to the staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Diane J. Davis
Diane J. Davis
Notary Public

My commission expires 9/30/97



V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Equitable Resources Exploration for Forced Pooling of Interests in Unit Number VC-3221, VGOB Docket No. VGOB-94/11/15-0484 in the Gladeville Magisterial District of Wise County, Virginia

AFFIDAVIT OF HUNTER, SMITH & DAVIS, Attorneys-at-Law, Agents for the Designated Operator REGARDING ELECTIONS, ESCROW ACCOUNTS AND SUPPLEMENTAL ORDER

James E. Kaiser (herein Affiant), being first duly sworn on oath, deposes and says:

1. That the Affiant is an attorney in the law firm of Hunter, Smith & Davis, the Agent for the Designated Operator, with offices located at 1212 North Eastman Road, Kingsport, Tennessee 37664, and is authorized to give this Affidavit in its behalf;
2. That the Order entered on January 9, 1995, by the Virginia Gas and Oil Board regarding the captioned conventional Unit required the Applicant to mail a true and correct copy of said Order to each person pooled by said Order;
3. That within seven (7) days of the receipt of an executed copy of the Order referred to at Paragraph 2. above, the Affiant was directed to cause a true and correct copy of said Order to be mailed via the United States Postal Service to each Respondent named in the captioned Application, whose address was known, and to all persons, if any, who were added as Respondents at the hearing held in captioned matter;
4. That the Order of the Virginia Gas and Oil Board in the captioned matter required all persons pooled thereby to tender their written elections to the Unit Operator within thirty (30) days of the date said Order was recorded in the county above named; that said Order was recorded on January 17, 1995;
5. That the Designated Operator, by and through their agent, HUNTER, SMITH & DAVIS, Attorneys-at-Law, have established procedures to review all mail received and all written documents received by means other than by mail to ascertain whether parties whose interest have been pooled have made a written election, in a timely fashion, as required by the captioned Order; that said procedures

were followed to identify the elections, if any, made with regard to Subject Unit; that the following persons delivered, by mail or otherwise, written elections to the Unit Operator, within the thirty day election period:

None.

6. That the interest and/or claims of the following persons (who made timely elections, or who are deemed under the terms of the Board's Order to have leased, or who, subsequent to the pooling hearing held in the captioned matter, have leased or otherwise entered into an agreement with the Designated Operator) are subject to escrow under the Board's Order pooling the captioned Unit, Board Regulations and the Code of Virginia; that opposite the name of each person named as a Respondent listed below is set forth:

None.

7. That after the pooling hearing held in the captioned matter, the following persons have leased or entered into a voluntary agreement with the Designated Operator with regard to their interest and/or claims which are not subject to escrow:

Betty Guibord Tract 8
Ronald Guibord Tract 8

8. That the following persons have not made a timely election and have failed to enter into an agreement with the Designated Operator and their respective interests shall be deemed to have leased pursuant to and in accordance with paragraphs 3 and 2(c) of the Order.

None.

That pursuant to the provision of VR 480-05-22.27.C and VR 480-05-22.2.8, annexed hereto and incorporated herein is a proposed supplemental order to be entered to complete the record regarding elections; that said annexed supplemental order sets forth that the services of the Escrow Agent are not required in this matter pursuant to the terms of §§ 45.1-361.21.D, 45.1-361.22.A.3 and 4.

Dated at Kingsport, Tennessee, this 2nd day of March 1995.

James E. Kaiser
Affiant

Taken, subscribed and sworn to before me by James E. Kaiser, the Agent of Equitable Resources Exploration, a corporation, on behalf of the corporation, this 2nd day of March 1995.

My commission expires: 1/27/96

Glenda T. Venable
Notary

VIRGINIA: In the Clerk's Office of Wise Circuit Court 3-22, 19 95
This deed was presented and upon the annexed Certificate of acknowledgement admitted
record at 134P M. The tax imposed by 58.54 1 of the Code has been paid in the
amount of \$ Recorded in Deed Book 898 and Page 236
Gracie G. Hensley, Clerk [Signature] Deputy Clerk.

EXHIBIT "B"
VC-3221
VGOB-94/11/15-0484

BOOK 798 PAGE 242

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>	<u>NET REVENUE INTERESTS</u>
<u>COAL OWNERSHIP</u>					
1	Virginia Iron, Coal & Coke Co. Attn: R. G. Poindexter P. O. Box 1871 Roanoke, VA 24008	Leased - EREX 223010L WI-78	23.8000%	19.04	0.02975000 RI (until 120% well payout)
	Equitable Resources Exploration				0.20825000 WI (until 120% well payout)
Tract 1 Totals			23.8000%	19.04	0.23800000
2	Virginia Iron, Coal & Coke Co. Attn: R. G. Poindexter P. O. Box 1871 Roanoke, VA 24008	Leased - EREX 244943L WI-78	0.3000%	0.24	0.00037500 RI (until 120% well payout)
	Equitable Resources Exploration				0.00262500 WI (until 120% well payout)
Tract 2 Totals			0.3000%	0.24	0.00300000
3	Penn Virginia Resources Corp. 999 Executive Park Blvd., Suite 300 Kingsport, TN 37660	Leased - EREX 223096L-02 TR 742	34.5900%	27.67	0.05188500 RI
	Equitable Resources Exploration				0.29401500 WI
Tract 3 Totals			34.5900%	27.67	0.34590000
4	Virginia Iron, Coal & Coke Co. Attn: R. G. Poindexter P. O. Box 1871 Roanoke, VA 24008	Leased - EREX 244943L WI-78	5.0100%	4.01	0.00626250 RI (until 120% well payout)
	Equitable Resources Exploration				0.04383750 WI (until 120% well payout)
Tract 4 Totals			5.0100%	4.01	0.05010000

EXHIBIT "B"
VC-3221
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BOOK 798 PAGE 243

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>	<u>NET REVENUE INTERESTS</u>
5	Penn Virginia Resources Corp. 999 Executive Park Blvd., Suite 300 Kingsport, TN 37660	Leased - EREX 223096L-02 TR 758	22.3000%	17.84	0.03345000 RI
	Equitable Resources Exploration				0.18955000 WI
Tract 5 Totals			22.3000%	17.84	0.22300000
6	Penn Virginia Resources Corp. 999 Executive Park Blvd., Suite 300 Kingsport, TN 37660	Leased - EREX 223096L-02 TR 702	7.8900%	6.31	0.01183500 RI
	Equitable Resources Exploration				0.06706500 WI
Tract 6 Totals			7.8900%	6.31	0.07890000
7	Clinchfield Coal Co./ Pyxis Resources Company P. O. Box 5100 Lebanon, VA 24266	Leased - EREX 241490L TR 943	6.0600%	4.85	0.00757500 RI
	Equitable Resources Exploration				0.05302500 WI
Tract 7 Totals			6.0600%	4.85	0.06060000
8	Penn Virginia Resources Corp. 999 Executive Park Blvd., Suite 300 Kingsport, TN 37660	Leased - EREX 223096L-02 TR 758	0.0500%	0.04	0.00007500 RI
	Equitable Resources Exploration				0.00042500 WI
Tract 8 Totals			0.0500%	0.04	0.00050000
TOTAL			100.0000%	159.96	1.00000000

EXHIBIT "B"
VC-3221
VGOB-94/11/15-0484

BOOK 798 PAGE 244

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>	<u>NET REVENUE INTERESTS</u>
<u>OIL AND GAS OWNERSHIP</u>					
1	Virginia Iron, Coal & Coke Co. Attn: R. G. Poindexter P. O. Box 1871 Roanoke, VA 24008	Leased - EREX 223010L WI-78	23.8000%	19.04	0.02975000 RI (until 120% well payout)
	Equitable Resources Exploration				0.20825000 WI (until 120% well payout)
Tract 1 Totals			23.8000%	19.04	0.23800000
2	Ewing Craft and Jeanette Craft, H/W Route 2 Box 282 Wise, VA 24293	Leased - EREX 244722L-01	0.3000%	0.24	0.00037500 RI
	Equitable Resources Exploration				0.00262500 WI
Tract 2 Totals			0.3000%	0.24	0.00300000
3	Penn Virginia Resources Corp. 999 Executive Park Blvd., Suite 300 Kingsport, TN 37660	Leased - EREX 223096L-01 TR 742	34.5900%	27.67	0.04323750 RI
	Equitable Resources Exploration				0.30266250 WI
Tract 3 Totals			34.5900%	27.67	0.34590000
4	Fred Kilgore & Hazel Kilgore, H/W Route 2 Box 292 Wise, VA 24293	Leased - EREX 244508L-01	2.5050%	2.005	0.00313125 RI
	Glenn Kilgore & Rita Kilgore, H/W Route 2 Box 292 Wise, VA 24293	Leased - EREX 244508L-01	2.5050%	2.005	0.00313125 RI
	Equitable Resources Exploration				0.04383750 WI
Tract 4 Totals			5.0100%	4.01	0.05010000

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BOOK 798 PAGE 245

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>	<u>NET REVENUE INTERESTS</u>
5	Kenneth Calhoun and Barbara Calhoun, H/W Route 2 Box 317 Wise, VA 24293	Leased - EREX 244506L-01	22.3000%	17.84	0.02787500 RI
	Equitable Resources Exploration				0.19512500 WI
Tract 5 Totals			22.3000%	17.84	0.22300000
6	Penn Virginia Resources Corp. 999 Executive Park Blvd., Suite 300 Kingsport, TN 37660	Leased - EREX 223096L-01 TR 702	7.8900%	6.31	0.00986250 RI
	Equitable Resources Exploration				0.06903750 WI
Tract 6 Totals			7.8900%	6.31	0.07890000
7	Pine Mountain Oil & Gas, Inc. Attn: Richard Brillhart P. O. Box 4000 Lebanon, VA 24226	Leased - EREX 241490L TR 943	6.0600%	4.85	0.00757500 RI
	Equitable Resources Exploration				0.05302500 WI
Tract 7 Totals			6.0600%	4.85	0.06060000
8	Betty Guibord, Single 10043 Nebula Way Sacramento, CA 95827-2972	Leased-EREX 244724L-01	0.0250%	0.02	0.00003125 RI
	Ronald Guibord, Married 8789 LaMarguerita Way Sacramento, CA 95828	Leased-EREX 244724L-02	0.0250%	0.02	0.00003125 RI
	Equitable Resources Exploration				0.00043750 WI
Tract 8 Totals			0.0500%	0.04	0.00050000
TOTAL			100.0000%	80.00	1.00000000



COMMONWEALTH of VIRGINIA

Department of Mines, Minerals and Energy

Division of Gas and Oil

P. O. Box 1416

Abingdon, Virginia 24212

Phone: (703) 676-5423

Fax: (703) 676-5459

Bryon T. Fulmer, Division Director

MEMORANDUM

TO: Tom Fulmer
FROM: Diane Davis
RE: Board Docket 94/11/15-0484, VC-3221, EREC
DATE: April 21, 1997

In response to a recent inquiry from this office to EREC concerning the above referenced docket number, Erec responded with the following statement:

"No monies to be escrowed. Unleased mineral interests were secured by voluntary lease agreements subsequent to force pooling. Monies attributable to conflicting claimants (as between gas owner/coal owner) are being escrowed internally rather than thru the Escrow Agent."

For your reference, the original pooling order was recorded 1/17/95 and Exhibit B indicated that Betty Guibord was unleased with a 0.05% interest within the unit.

Erec indicated in their reply that all unleased mineral interests were secured by voluntary lease agreements. I can, therefore, agree that there are no unleased parties within this unit.

However, in reviewing the Supplemental Order recorded March 22, 1995, and comparing it to the original order and in conversing with Lee Talbert of EREC, the following parties are deemed conflicting claimants.

1. VICC (coal) and Kenneth & Barbara Calhoun (oil & gas)
2. VICC (coal) and Ewing & Jeanete Craft (oil & gas)
3. VICC (coal) and Betty Guibord (oil & gas)

The memorandum from Mr. Mason dated April 15 indicated that any monies attributable to conflicting claimants are being escrowed internally rather than through the escrow agent of the Board. The pooling order states in paragraph 16.2 that, "...if any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be made certain due to conflicting claims of ownership and/or a defect or cloud on the title, then such cash bonus, royalty payment or other payment, together with participating Operator's Proportionate Costs paid to Operator pursuant to Paragraph 9.1, if any, (1) shall not be commingled with

any funds of the Unit Operator; and (2) shall pursuant to Va. Code SS 45.1-361.22A.2, 45.1-361.22A.3 and 45.1-322.A.4, be deposited by the Operator into the Escrow Account, commencing within sixty (60) days of the recording of this order..."

As a result I have the following concerns:

1. EREC has secured voluntary agreements with all unleased parties, however, there still exists conflicting claims.
2. EREC, according to its statement does not intend to escrow any money into the Board account.
3. A Board orderr with a supplemental has been forwarded to the Escrow Agent and an account established. No monies have been deposited and according to the reply by George Mason, no money will be deposited into the account.
4. How does the Board wish to proceed in this matter with regard to the established escrow account and EREC's comment that they are going to escrow internally?
Please advise.

cc: Benny Wampler
Sandra Riggs